

BORNEO OIL BERHAD

**Company No. 121919-H
(Incorporated in Malaysia)**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED
30 APRIL 2017**

(THE FIGURES HAVE NOT BEEN AUDITED)

BORNEO OIL BERHAD
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FOR THE FIRST QUARTER ENDED 30 APRIL 2017
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	First Quarter		Cummulative Quarter	
	Unaudited		Unaudited	
	Current Period	Preceding Period	Current Period	Preceding Period
	30-Apr-17	30-Apr-16	30-Apr-17	30-Apr-16
	RM'000	RM'000	RM'000	RM'000
Revenue	19,397	1,494,736	19,397	1,494,736
Cost of sales	(11,802)	(1,482,799)	(11,802)	(1,482,799)
Gross profit	7,595	11,937	7,595	11,937
Other income	4,175	5,790	4,175	5,790
Operating expenses	(6,491)	(6,166)	(6,491)	(6,166)
Profit from operations	5,279	11,561	5,279	11,561
Finance cost	(22)	(861)	(22)	(861)
Profit before tax	5,257	10,700	5,257	10,700
Taxation	-	-	-	-
Profit for the period	5,257	10,700	5,257	10,700
Exchange diff. from translation of foreign ops	-	-	-	-
Comprehensive profit for the period	5,257	10,700	5,257	10,700
Profit attributable to:				
- equity holders of the Company	5,258	10,700	5,257	10,700
- non-controlling interest	(1)	-	(1)	-
	5,257	10,700	5,256	10,700
Total comprehensive profit attributable				
- equity holders of the Company	5,258	10,700	5,257	10,700
- non-controlling interest	(1)	-	(1)	-
	5,257	10,700	5,256	10,700
Profit per share (sen)				
- basic (sen)	0.17	0.36	0.17	0.36
- fully diluted (sen)	n/a	n/a	n/a	n/a

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at	Audited as at
	30-Apr-17	31-Jan-17
	RM'000	RM'000
Non Current Assets		
Property, plant & equipment	193,343	194,141
Investment properties	284,784	271,784
Intangible assets	18,972	14,000
Development expenditure	2,319	2,280
Exploration expenditure	29,886	27,337
Other investment	64	64
	<u>529,368</u>	<u>509,606</u>
Current Assets		
Inventories	11,930	14,268
Trade receivables	3,276	3,345
Other receivables	12,911	14,451
Gold spot contracts	250,998	227,897
Fixed deposits with licensed banks	3,496	4,040
Cash and bank balances	46,669	42,706
Tax recoverable	-	274
	<u>329,280</u>	<u>306,981</u>
Total Assets	<u>858,648</u>	<u>816,587</u>
Shareholders' Fund		
Share capital	302,918	302,880
Share premium	84,949	82,735
Other reserves	94,130	66,648
Retained profits	144,773	139,515
	<u>626,770</u>	<u>591,778</u>
Non-controlling interest	1	-
	<u>626,771</u>	<u>591,778</u>
Current Liabilities		
Trade Payables	4,564	7,132
Other Payables	222,939	213,424
Short term borrowings	191	610
Tax payable	617	-
	<u>228,311</u>	<u>221,166</u>
Non Current Liabilities		
Deferred taxation	2,984	2,984
Long term borrowings	582	659
	<u>3,566</u>	<u>3,643</u>
Total Equity and Liabilities	<u>858,648</u>	<u>816,587</u>
Net assets per share (RM)	<u>0.20</u>	<u>0.19</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-distributable reserves						Distributable reserves		Total Equity	
	Share capital	Share premium	Exchange reserves	Treasury Shares	ESOS reserves	Capital reserves	Warrants reserves	Accumulated (losses)/Profit		Non-controlling interest
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Year ended 31 January 2017										
Balance as of 1 February 2016	296,180	80,725	(72)	(26,021)	44	15	94,014	93,069	-	537,954
Issue of shares	6,700	2,010	-	-	-	-	-	-	-	8,710
Reduction of share capital	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	(1,349)	-	-	-	-	-	(1,349)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
- Exchange reserve	-	-	17	-	-	-	-	-	-	17
Net profit for the year	-	-	-	-	-	-	-	46,446	-	46,446
7	302,880	82,735	(55)	(27,370)	44	15	94,014	139,515	-	591,778
Year ended 31 January 2017										
Balance as of 1 February 2017	302,880	82,735	(55)	(27,370)	44	15	94,014	139,515	-	591,778
Issue of shares	38	2,214	-	-	-	-	-	-	-	2,252
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
- Exchange reserve	-	-	112	-	-	-	-	-	-	112
Effect of acquisition of subsidiary	-	-	-	-	-	-	-	-	2	2
Disposal of treasury shares	-	-	-	27,370	-	-	-	-	-	27,370
Net profit for the period	-	-	-	-	-	-	-	5,258	(1)	5,257
Balance as of 30 April 2017	302,918	84,949	57	-	44	15	94,014	144,773	1	626,771

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 January 2017 and the explanatory notes attached to the interim financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	Preceding year
	Current year	to date
	to date	to date
	30-Apr-17	31-Jan-17
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	5,257	48,653
Adjustment for:		
Allowance for impairment of obsolete inventories	-	47
Amortisation of prepaid lease rental	-	842
Bad debts written off	-	1,210
Deposits written off	-	27
Impairment loss on investment in quoted shares	-	116
Impairment loss on investment in quoted shares written back	-	(25)
Depreciation - current year	1,248	6,617
Gain on disposal of investment of properties	-	(4,558)
(Gain)/loss on disposal of property, plant & equipment	-	(864)
Prepaid lease rental written off	-	9,201
Property, plant & equipment written off	-	3,294
Net increase in fair value of investment properties	-	(52,700)
Interest income	(124)	(3,848)
Interest expenses	22	2,608
Operating profit before working capital changes	<u>6,403</u>	<u>10,620</u>
Receivables	2,388	94,550
Payables	6,947	132,818
Financial assets at fair value	(23,101)	(155,893)
Inventory	2,338	6,060
Cash used in operations	<u>(5,025)</u>	<u>88,155</u>
Interest received	124	3,848
Tax refund	113	32
Tax paid	-	(370)
Net cash used in operating activities	<u><u>(4,788)</u></u>	<u><u>91,665</u></u>

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CONSOLIDATED CASH FLOW STATEMENT (Continue)

	Unaudited current year to date 30-Apr-17 RM'000	Preceding year to date 31-Jan-17 RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Additional development expenditure	(39)	(155)
Additional exploration expenditure	(2,549)	(10,000)
Additions of other investments	-	(5,821)
Addition of intangible assets	(1)	-
Purchase of property, plant & equipment	(449)	(121,545)
Purchase of investment property	(13,000)	(29,058)
Purchase of financial assets		
Investment in quoted shares		
Proceeds from disposal of investment in quoted shares	-	9,701
Proceeds from disposal of property, plant & equipment	-	1,901
Proceeds from disposal of investment properties	-	15,500
(Placement)/withdrawal of fixed deposits pledged to banks	544	160,904
Net cash outflow from acquisition of subsidiary	(4,971)	-
Net cash used in investing activities	<u>(20,465)</u>	<u>21,427</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	-	(1,350)
Proceeds from disposal of treasury shares	27,370	-
Proceeds from issuance of shares	2,252	8,710
Repayment of term loan	-	(811)
Repayment of finance lease payables	(497)	809
Repayment of bank overdraft	-	(94,124)
Interest paid	(22)	(2,608)
Net cash from financing activities	<u>29,103</u>	<u>(89,374)</u>
Net (decrease)/increase in cash and cash equivalents	3,851	23,718
Exchange reserve	112	(180)
Cash & cash equivalents at the beginning of period	42,706	19,168
Cash & cash equivalents at the end of period	<u>46,669</u>	<u>42,706</u>

Cash & cash equivalents at the end of the financial period:

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 January 2017 and the accompanying explanatory notes attached to the interim financial statements.

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Notes on the quarterly report – 30 April 2017

A. EXPLANATORY NOTES AS PER FRS 134 – INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Chapter 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the year ended 31 January 2017. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 January 2017.

All the applicable MFRS which are already in force have been applied by the Group as in previous quarter. The following MFRS was not applied for as it is yet to be effective:

MFRS 9	Financial instruments (IFRS 9 issued by IASB in November 2009)
	Financial instruments (IFRS 9 issued by IASB in October 2010)

A2. Audit Report

The auditors' report on the audited financial statements for the year ended 31 January 2017 was not qualified.

A3. Seasonal or Cyclical Factors

The operations of the Group generally move in tandem with the performance of the various industries undertaken.

A4. Unusual Items

During the quarter under review there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that were unusual by reason of their nature, size or incidence.

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A5. Changes in Estimates

There were no changes in estimates of amounts reported that have a material effect on the results in the quarter under review.

A6. Issuance, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities

The entire 171,350,000 treasury shares were sold during the quarter.
A total of 234,488 (from Warrant B) and 130,950 (from Warrant C) were converted to ordinary shares of the Company during the quarter.

A7. Dividends Paid

There is no dividend paid during the quarter under review.

A8. Valuation of Property, Plant & Equipment

There were no valuation conducted during the quarter.

A9. Significant Event

There were no significant events during the quarter except for those that have already been announced to Bursa during the quarter.

A proposed bonus issue of up to 2,112,341,814 new ordinary shares in Borneo Oil Berhad (Bornoil Shares) to be credited as fully paid-up on the basis of four (4) bonus shares for every eight (8) existing Bornoil shares held on an entitlement date had been approved by Bursa on 17 April 2017.

A proposed bonus issue of up to 528,085,453 new warrants in Bornoil (Warrant D) on the basis of one (1) free Warrant D for every eight (8) existing Bornoil shares held on the same entitlement date as the proposed bonus issue of shares had also been approved by Bursa on 17 April 2017.

A10. Subsequent Events

Subsequent to the end of the quarter, the Group had on 15 June 2017 made an announcement to Bursa as follows:

- i) a proposed establishment of a new Employees' Share Option Scheme of up to 15% of the total number of issued shares of the Borneo Oil Berhad (Bornoil shares) (excluding treasury shares, if any) any point in time, and
- ii) a proposed amendment to the Articles of Association of Bornoil.

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A11. Changes in Composition of the Group

There was no major changes in the Group's composition during the quarter.

A12. Changes in Contingent Liabilities or Contingent Assets

The Group's contingent liabilities totaling RM 1.84 million comprises of corporate guarantees given on behalf of subsidiaries in securing banking facilities.

A13. Group Segmental Information

Group segmental results by business activities.

	Current quarter to date 30-Apr-17		Preceding quarter to date 30-Apr-16	
	Revenue RM'000	Profit/(Loss) before tax RM'000	Revenue RM'000	Profit/(Loss) before tax RM'000
Head office & others	9	(551)	9	(1,461)
Fast food & franchise operation	10,573	607	13,432	1,355
Property, Management & operation	1,419	(690)	674	3,890
Mining, energy & related operation	7,396	5,891	1,480,621	6,916
Group revenue and profit from operations (net of finance cost)	19,397	5,257	1,494,736	10,700

A14. Financial assets and liabilities

The amount of financial assets of RM 250,998,000 and financial liabilities of RM 210,681,000 were related to unsold balance of gold spot contracts and the amount financed by the financial institution in respect of gold spot trading respectively.

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1. Review of Performance

The Group's overall performance for the Quarter ended 30 April 2017 was satisfactory. As in previous quarters, the Group's total revenue of RM 19.37 million was contributed mainly by its Fast Food & Franchise division ("FF"), Mining, energy & related division ("ME") and the Property & management operation division ("PM")

The FF division recorded a lower turnover of RM 10.57 million as compared to its corresponding quarter in 2016 of RM 13.43 million. This was expected as it was achieved against the deteriorating economic conditions and the falling Ringgit.

The ME division's contrasting turnover of RM 7.39 million against the corresponding quarter of RM 1,494.73 million was due to the change in the basis of revenue recognition in respect of its gold spot contract trading with effect from the Quarter Report ended 31 October 2016 whereby the said transactions were no longer taken up as revenue under MFRS 118 but were instead measured at fair value through profit and loss in accordance with MFRS 139. During the quarter, the division produced 194.95 oz of gold dore out of 142,218.40 MT of ore mined. As for the trading of gold spot contracts, a total of 4,809 kg were purchased and 4,712 kg sold during the quarter. This was however not included in the above stated turnover as the said transactions were accounted for under MFRS 139. The limestone division have started contributing revenue to the division and for the quarter a sum of RM450,000 in the form of royalties was collected.

The PM division also contributed part of the Group's overall revenue. The amount achieved RM 1.41 million was comparatively much higher than RM 0.67 million in the corresponding quarter of 2016.

B2. Review of results

The Group's overall profit of RM 5.25 million for the Quarter ended 30 April 2017 as achieved in the adverse conditions prevailing then was satisfactory and as expected. It was quite consistent with that of RM 10.70 million (which included a gain on disposal of investment property of RM 4.30 million) in the corresponding quarter 2016.

The FF division contributed RM 0.61 million against that of RM 1.35 million achieved from a much higher revenue in the corresponding quarter in 2016 was overall satisfactory due to factors as explained above.

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B2. Review of results

The ME division's profit of RM 5.89 million was slightly lower than RM 6.91 million achieved in the corresponding quarter 2016. This was quite commendable given that it was achieved against the continuing adverse condition that still prevailed then.

The PM division's result with a recorded loss of RM 0.69 million for the quarter was as envisaged as compared to its corresponding quarter of RM 3.89 million in 2016 which included a gain in disposal of investment property of RM 4.30 million.

B3. Current year prospects

The Board had taken note of the continuing of the adverse market conditions against the Group's overall operations. However as most of the operations are resource based, the Group is confident of improvements in its performance once all the planned implementations are completed.

B4. Variation Profit Forecast / Profit Guarantee

There were no profit forecast or guarantee made during the quarter.

B5. Taxation

No taxation was provided during the quarter under review.

B6. Corporate Proposals

There was no new corporate proposal during the quarter

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B7. Borrowings and Debts Securities

	Unaudited current period to date	Preceding period to date
	30-Apr-17	30-Apr-16
	RM'000	RM'000
Short term borrowings :		
- Bank overdraft	-	460
- Hire purchase payables	191	150
	<u>191</u>	<u>610</u>
Long term borrowings :		
- Hire purchase payables	582	659
	<u>582</u>	<u>659</u>
Total borrowings	<u><u>773</u></u>	<u><u>1,269</u></u>

All the above borrowings are denominated in Ringgit Malaysia

B8. Material Litigation

There is no material litigation that will have a material effect on the financial position and operation of the Company and the Group.

B9. Dividends

There was no dividend proposed or declared during the current quarter.

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B10. Earnings per share

	Individual quarter ended		Cummulative period ended	
	30-Apr-17	30-Apr-16	30-Apr-17	30-Apr-16
Basic profit per share	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to equity holders (RM'000)	5,257	10,700	5,257	10,700
Number Weighted average number of shares in issue ('000)	3,028,928	2,969,990	3,028,928	2,969,990
Basic profit per share (sen)	0.17	0.36	0.17	0.36

B11. Realised and Unrealised Profits/Losses Disclosure

	Current year to date 30-Apr-17 RM'000	Preceding year to date 30-Apr-16 RM'000
Total unappropriated profits/(losses) of the Company and its subsidiaries:		
- Realised	131,481	126,205
- Unrealised	(1,147)	(1,147)
	130,334	125,058
Add : Consolidation adjustments	14,439	14,457
Total Group retained profits	<u>144,773</u>	<u>139,515</u>

The disclosure of realised and unrealised profits/losses above is solely for compliance with the directive issued by BURSA and should not be used for any other purpose.

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B12. Notes to the Condensed Consolidated Statement of Comprehensive Income

Profit/(loss) before tax is derived after charging / (crediting) :

	Current quarter 30-Apr-17 RM'000	Current year to date 31-Jan-17 RM'000
Allowance for impairment of obsolete inventories	-	47
Amortisation of prepaid lease rental	-	843
Audit fee - current year	-	230
- overprovision in prior years	-	(32)
Bad debts written off	-	1,210
Deposits written off	-	27
Depreciation	1,248	6,617
Development expenditure written off		
Directors' remuneration	149	432
Prepaid lease rental written off	-	9,201
Property, plant and equipment written off	-	3,294
Rental of heavy equipment	138	217
Rental of hostel	34	129
Rental of land	6	24
Rental of premises	255	1,541
Rental of office		
 <u>And crediting the following items:</u>		
Fair value gain on investment properties	-	52,700
Fair value loss on investment in quoted securities	-	(116)
Gain on disposal of investment properties	-	4,558
Gain on disposal of property, plant and equipment	-	864
Gain on foreign exchange	12	95
Interest income	124	3,848
Reversal of impairment loss on investment in quoted securities	-	25

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B13. STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES

Rights Issues Exercise:

	Proposed Utilisation RM'000	Time frame for utilisation (Months)	Actual utilization RM'000	Balance unutilised RM'000
Exploration expenditure for gold mining operation	15,000	Within 24 mths	11,174	3,826
Purchase of machineries & Equipment for gold mining operation	30,000	Within 24 mths	25,987	4,013
Working capital for gold Mining operation	75,621	Within 30 mths	67,702	7,919
Purchase of plant and equipment for limestone mining operation	10,000	Within 12 mths	10,000	-
Working capital for limestone mining operation	8,000	Within 24 mths	7,402	598
Working capital for fast food Operation	5,000	Within 12 mths	5,000	-
Future investments	60,000	Within 24 mths	60,000	-
Repayment of borrowings	20,409	Within 3 mths	20,409	-
Estimated expenses in relation to the Rights Issue with warrants	4,750	Within 3 mths	4,750	-
	<u>228,780</u>		<u>212,424</u>	<u>16,356</u>

Private Placement Exercise:

The remaining allocation of RM 5.0 million for the food processing factory has been fully utilised.

By Order of the Board

Chin Siew Kim
Company Secretary

30 June 2017